

VZCZCXYZ0000  
PP RUEHWEB

DE RUEHLP #1129/01 1161640  
ZNR UUUUU ZZH  
P 261640Z APR 06  
FM AMEMBASSY LA PAZ  
TO RUEHC/SECSTATE WASHDC PRIORITY 8985  
INFO RUEHAC/AMEMBASSY ASUNCION 5791  
RUEHBO/AMEMBASSY BOGOTA 3081  
RUEHBR/AMEMBASSY BRASILIA 6944  
RUEHBU/AMEMBASSY BUENOS AIRES 4187  
RUEHCV/AMEMBASSY CARACAS 1487  
RUEHPE/AMEMBASSY LIMA 1451  
RUEHMN/AMEMBASSY MONTEVIDEO 3740  
RUEHQT/AMEMBASSY QUITO 4127  
RUEHSG/AMEMBASSY SANTIAGO 8672  
RHEHNSC/NSC WASHINGTON DC  
RHEBAAA/DEPT OF ENERGY WASHINGTON DC  
RUCPDOG/DEPT OF COMMERCE WASHINGTON DC  
RUEATRS/DEPT OF TREASURY WASHINGTON DC

UNCLAS LA PAZ 001129

SIPDIS

SENSITIVE  
SIPDIS

STATE FOR WHA/AND  
TREASURY FOR SGOOCH  
ENERGY FOR CDAY AND SLADISLAW

E.O. 12958: N/A  
TAGS: [ECON](#) [EINV](#) [ENRG](#) [EPET](#) [PGOV](#) [BL](#)  
SUBJECT: BOLIVIA AND ARGENTINA SIGN ENERGY DECLARATION

REF: A. LA PAZ 1107

[1](#)B. LA PAZ 1114

[1](#)1. (SBU) Summary: On April 21, Bolivia and Argentina signed an Energy Integration Declaration in La Paz, promising to revise the natural gas sales agreement between the two countries, including provisions on price and export volumes, create a partnership between both countries' state oil companies, and promote the industrialization of Bolivian gas.

According to Tarija Senator Roberto Ruiz and Petrobras contacts, the declaration was more rhetoric than substance, and Bolivia will have a tough road ahead to achieve the gas price increases that it desires from Argentina. Argentine Embassy contacts confirmed that the price negotiations will be difficult, but were pleased by the GOB's positive change of tone towards Argentina. Ruiz expressed concern about the GOB's inconsistent statements about the sector and the future of Bolivia's relationship with both Argentina and Brazil.  
End summary.

[1](#)2. (SBU) On April 21, Bolivian Hydrocarbons Minister Andres Soliz Rada and Argentine Planning Minister Julio De Vido signed an Energy Integration Declaration in La Paz. According to a copy of the Declaration provided to us by the Bolivian Hydrocarbons Chamber, Argentina and Bolivia agreed to revise the natural gas sales agreement signed by the two nations in April 2004, including articles on price and supply conditions, by May 15. According to Argentine Embassy contacts, the sales agreement expired in March 2006, and thus the decision to "renegotiate" it was not a new development.

[1](#)3. (SBU) On supply, they agreed to sign the necessary agreements to move forward on the construction of a pipeline to Northeast Argentina (GNEA) and revise the gas sales agreement to include larger gas export volumes. (Note: Bolivia currently exports approximately 5 million cubic meters per day to Argentina. Argentina has expressed interest in increasing that figure to 20 million cubic meters per day. However, higher export volumes are not possible without additional investment in Bolivia's hydrocarbons

sector, because the companies are already producing at full capacity. Investment has been frozen for the past year. End note.) They also agreed that future gas sales transactions would be handled by YPFB (Bolivian state oil company) and ENARSA (Argentine state oil company). In addition, they agreed to found binational enterprises to promote the industrialization of Bolivian gas and the training of human resources and a bilateral commission to work on the above tasks.

¶4. (SBU) In an April 25 meeting, Tarija Senator Roberto Ruiz, President of the Senate Economic Development Commission, told Econoffs that, despite the GOB's and press' portrayal of the declaration as a great success, the GOB and Argentine delegation achieved no concrete agreements. According to Ruiz, and contacts from the Brazilian company Petrobras (ref A), GOB price negotiations with Argentina are not going well.

Ruiz, who as President of Tarija's Civic Committee played an instrumental role in sealing the 2004 gas sales agreement between Argentina and Bolivia, expressed concern about the negative trend in relations between the GOB and both Argentina and Brazil. He explained that Bolivia only provides about 5% of Argentina's gas, with the rest coming from domestic sources. He added that Argentina has a price freeze in effect that has made domestic gas significantly cheaper than Bolivian imports, and thus, Argentina would be reluctant to agree to much of a price increase with Bolivia. On the other hand, the price freeze has diminished investment in Argentina and increased their need for importing gas. Argentine Embassy contacts explained that Argentina currently pays around USD 3.20 per MCF for Bolivian gas, while the domestic price is frozen at USD 0.90 per MCF. Argentine Embassy contacts speculated that Argentina may accept a price increase of USD 0.30 to 0.80, but not more. Embassy contacts agreed with Ruiz that the price negotiations would be

difficult, but were pleased, at least, that the GOB appears to have softened its tone towards Argentina, after Minister Soliz Rada's ranting against President Kirchner earlier in the month.

¶5. (SBU) Ruiz said that the Senate Economic Development Commission had questioned Bolivian Hydrocarbons Minister Soliz Rada on three occasions, during which Soliz Rada demonstrated his complete ignorance of the hydrocarbons sector. Ruiz stated that he was bothered by the GOB's inconsistent statements about the sector. For example, President Morales said that the GOB would be "partners" with the oil companies, while Minister of the Presidency Juan Ramon Quintana said that the oil companies would be mere "service providers" and not "partners." Vice President Garcia Linera met with the Prefect of Tarija and promised to respect the Bolivian law which allows prefects to develop their own gas projects, but contradicted his promise two days later, Ruiz said. He also expressed concern about the GOB's role in promoting the Chaco movement to secede from Tarija and form a 10th department (ref B), stating that the central government wanted to gain control over Tarija's gas reserves.

GREENLEE